

SPECIAL NOTICE

May 19, 2004

For further information contact:
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**Rural County Tax Incentives:
Deferral/Waiver Program Extended & Revised
Software Manufacturing, Programming, & Help Desk B&O Tax Credits Reestablished
SSB 6240 (Chapter 25, Laws of 2004)**

Sales/Use Tax Deferral/Waiver Program

Effective April 1, 2004, the rural county sales and use tax deferral program has been revised.

This program grants a deferral of retail sales and use tax on qualified construction and equipment costs for certain businesses and activities **located in rural counties or counties with a community empowerment zone (CEZ)**. The eligible businesses and activities are manufacturing, computer programming, the production of computer software, other computer-related services, and the activities performed by research and development laboratories and commercial testing laboratories. The tax is ultimately waived when all qualifications are met. The changes to the program effective April 1, 2004 include:

- ◆ The expiration date of this program has been extended to July 1, 2010.
- ◆ Island County has been added to the list of rural counties.
- ◆ An annual survey providing substantial information about the business, employees, and employee benefits and wages must be filed with the Department of Revenue by March 31 of each year for eight years after the qualifying project is operationally complete.
- ◆ A person who owns property and leases to another may receive deferral of taxes on qualifying expenditures if:
 - ❖ The underlying ownership of the buildings, machinery, and equipment vests exclusively in the same person, or
 - ❖ The owner agrees in writing to pass the entire economic benefit of the program to the lessee, the lessee agrees in writing to complete the annual survey, and the economic benefit of the deferral passed to the lessee is no less than the amount of tax deferred by the lessor and is evidenced by written documentation of the financial arrangement between the owner and the lessee.

Software Manufacturer/Programmer B&O Tax Credit

Effective April 1, 2004, the B&O tax credit for new jobs doing programming or manufacturing of computer software in a rural county is reestablished.

Under this credit, businesses can claim a credit of \$1,000 for each new qualified employment position created in a rural county after January 1, 2004, for up to five consecutive years. Persons who claimed credit under the expired program are eligible to earn credit for each year the position is maintained over the subsequent consecutive years, for up to four years.

Information Technology Help Desk Services B&O Tax Credit

Effective April 1, 2004, the B&O tax credit for persons engaged in the business of providing information technology help desk services to third parties in a rural county is reestablished.

The credit is equal to 100 percent of the B&O tax due that is attributable to providing such services. B&O tax attributable to providing such services between January 1, 2004 and March 31, 2004 is not eligible for the tax credit. For purposes of the credit, "Information technology help desk services" means software and hardware maintenance, diagnostics and troubleshooting, installation, repair, information and training, and upgrades performed using electronic and telephonic communication.

General Provisions for Both B&O Tax Credit Programs

- ◆ The business must be located in a rural county. (Non-rural counties with a CEZ do not qualify.)
- ◆ Island County is added to the list of rural counties, effective April 1, 2004.
- ◆ No application is necessary for either credit program.
- ◆ The credit earned during one calendar year may not be carried over to a subsequent calendar year.
- ◆ Transfer of business ownership does not affect credit eligibility.
- ◆ The B&O tax credit programs expire January 1, 2011.
- ◆ An annual report in a letter form must be filed with the Department of Revenue by January 30 of the year following the year for which a credit is taken.

For detailed information about the **Sales/Use Tax Deferral/Waiver Program** and the **B&O Tax Credit programs**, see the **Rural County Sales/Use Tax Deferral Program** brochure on our web site at <http://dor.wa.gov/content/taxes/incentives/default.aspx>.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342. Teletype (TTY) users please call 1-800-451-7985.